

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, June 27, 2002, 9:30 a.m.
Utah Association of Counties Training Room

A G E N D A

9:30	Call to Order	Dan McConkie
	Review of Board Members Absent	Dan McConkie
	Approval of March 21 Minutes	Dan McConkie
	Loss Control Manager's Report	Mark Brady
	Personnel Committee's Report	Steve Baker
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
11:30	Lunch Break	
	Audit Committee's Report	Tex Olsen
	Restructuring of the UACIM Board	Dan McConkie
	Director's Report	Shawn Guzman
	General Budget Amendment	Shawn Guzman
	Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual	
	Other Business	
1:00	Adjourn	

UACIM BOARD of TRUSTEES MEETING

MINUTES

June 27, 2002, 9:30 a.m.

Utah Association of Counties Board Room

BOARD MEMBERS PRESENT

Dan McConkie, *Vice President*, Davis County Commissioner
Lynn Lemon, *Secretary-Treasurer*, Cache County Executive
Steve Baker, Davis County Personnel Director
Kay Blackwell, Piute County Commissioner
LaVar Cox, Millard County Commissioner
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Kent Sundberg, Utah County Deputy Attorney
Steve Wall, Sevier County Clerk-Auditor

BOARD MEMBERS ABSENT

Gary Herbert, President, Utah County Commissioner
Ed Phillips, Millard County Sheriff
Gene Roundy, Iron County Commissioner

OTHERS PRESENT

Shawn Guzman, UACIM Director
Sonya White, UACIM Administration
Mark Brady, UACIM Loss Control Manager
Korby Siggard, McLarens Toplis North American, Inc.

CALL to ORDER

Gary Herbert was unable to attend this meeting and requested that Dan McConkie conduct in his absence. Dan called the meeting to order and welcomed those in attendance.

REVIEW of BOARD MEMBERS ABSENT

Gary Herbert requested to be excused from this meeting due to urgent business at the Capitol. Ed Phillips is attending the National Sheriffs Conference in Oklahoma and requested to be excused from this meeting. Gene Roundy is in Europe with his family and requested to be excused from this meeting. Tex Olsen made a motion to excuse Gary Herbert, Ed Phillips and Gene Roundy from this meeting. Royal Norman seconded the motion, which passed unanimously.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held March 21, 2002 were previously sent to the Board Members for review. Steve Wall made a motion to approve the March 21, 2002 meeting minutes as written. Kay Blackwell seconded the motion, which passed unanimously.

LOSS CONTROL MANAGER'S REPORT

Mark Brady charted the 1999-2002 loss history as of May for the Trustees (see attachment #1). Loss history by severity and frequency for all covered lines were reported as well as losses by department and category. The severity of auto losses is at the lowest they've been in the past four years. Mark is confident this is due to the aggressive training programs being conducted. Severity of personnel related claims, however, are the highest they've been in

the last four years. Mark will be focusing on extensive training for the counties in areas such as wrongful termination and civil rights, which will include promoting attendance at the Personnel Workshop and supervisor training. Mark explained that there have been some reoccurring wind/hail claims. This has been discussed with Korby Siggard and the Mutual is looking at replacing damaged property with better materials to end any reoccurrences. Royal Norman had questions relating to Box Elder County's Employee Tool Purchase Program. The County requires maintenance employees to use their own tools in the scope of their employment and obtain their own insurance on the tools. An allowance for tools is given each month to the employees and the tools are kept at the County. If an employee does not obtain insurance would the County be liable in the event of a loss? The Mutual excludes personal property from its Coverage Agreement. Therefore, it should clearly state in the County's Personnel Policies, that govern the employees, that personal property is not insured.

PERSONNEL COMMITTEE'S REPORT

Steve Baker reported on another successful Personnel Workshop held May 9-10 (see attachment #2, evaluation results). There were approximately 90 attendees with all member counties represented. A representative from Salt Lake and Summit Counties also attended. The Personnel Committee will review the suggestions given on the evaluation forms in planning the content of the 2003 Workshop scheduled for May 8-9 at the Dixie Center in St. George. Instead of two half-day sessions, the Workshop for next year will consist of one full day and one half day session. Shawn Guzman suggested that the Board of Trustees meet on May 7 and then stay to attend the Workshop.

SET DATE and TIME for CLOSED MEETING

Kent Sundberg made a motion to set the date and time for a closed meeting to discuss pending or reasonably imminent litigation to begin at 9:40 a.m. on June 27, 2002. Steve Wall seconded the motion, which passed unanimously.

Steve Wall made a motion to conclude the closed meeting at 9:45 a.m. on June 27, 2002. Royal Norman seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing an amount up to \$65,000 to settle claimant Wood in the matter of CAC01088030. Royal Norman seconded the motion, which passed unanimously.

AUDIT COMMITTEE'S REPORT

Tex Olsen, Chair, reported that the Committee met on May 29 with Glen Taylor, Taylor Walker & Associates (UACIM Actuary), and Geri Douglas, Larson & Company (UACIM Auditor). The actuarial opinion stated that the losses are being reserved properly. The audit opinion stated that the financial statements present fair and accurate operations. Committee members were directed at the March 21 meeting to look at having an independent financial audit performed. For the last two years, the Audit Committee has reported to the Board their concerns relating to the administration budget, paid to the Utah Association of Counties (UAC), which has not and cannot be audited without the approval of UAC. Kent Sundberg explained that [Sonya White and] the auditors, Larson & Company, discovered without actually auditing UAC's financial statements, that approximately \$457,000 has accumulated since 1992 from monies not spent out of this fee. Geri recommended to the Committee that the UACIM Transaction Fund be audited along with internal financial control changes and other budgetary matters. Based on this recommendation and the concerns relating to the fee paid to UAC, namely reserving practices, asset entitlement, nondisclosure, Board control and management of expenses, staff accountability to the Board, etc., the Audit Committee made the following recommendations to the Board of Trustees:

1. Internal control changes:
 - a. Shawn Guzman be authorized to sign claims checks along with Korby Siggard (replacing Brent Gardner's signature).
 - b. Shawn Guzman be one of the four individuals authorized to sign administrative expense checks.
2. That an audit be conducted by Larson & Company of the "Insurance Mutual Transaction Fund" on UAC's books.
3. That UAC provide UACIM monthly reports of the UACIM Administrative Budget.

4. That several line items be eliminated from the UACIM Administrative Budget with the corresponding amounts for those line items being transferred to the UACIM budget (leaving primarily only rent and salary related line items in the UACIM Administrative Budget).
5. That there be a more distinct clarification of the relationship between UAC and UACIM.

Committee members reminded the Board that in a written Agreement between UAC and UACIM any monies over \$7500, not spent out of the Administration Fees, would be returned to UACIM beginning year 2000. Tex Olsen explained that no monies have been returned causing suspicion of the management of these monies. Kent Sundberg stated that the Independent Auditor was concerned to find that UAC is holding and earning interest on almost half a million dollars of UACIM money. The Trustees have always been led to believe there was no excess money left at the end of each year. The Trustees need to have more control of UACIM expenses. Lynn Lemon agreed and added that UACIM is a separate entity and there should be a financial separation between UAC and UACIM without causing any micromanagement. There are six UACIM Trustees that also sit on the UAC Board of Directors and a good relationship should continue between the two entities but the UAC Board has no authority over the UACIM Board and vice versa. LaVar Cox expressed that he will have difficulty approving a premium payment if full disclosure isn't made of its use. He would like to see a financial separation and any excess monies returned to UACIM. Dan McConkie feels that UAC believes there was full disclosure of the Insurance Mutual Transaction Fund to the Board but LaVar, Lynn and Royal Norman vocally disagreed. Kent stated that the UACIM Board of Trustees is violating their fiduciary duty if they do not request that UAC return all excess monies. UAC should not be making a profit on fees charged UACIM. Dan McConkie requested that the Trustees be educated on their fiduciary trust under current Utah law each year and predicted that the Trustees will want independence from UAC once the responsibility of the Trustees is defined. The Board agreed and directed Shawn to schedule a full day training session for the Trustees. Shawn, who believes he is legal counsel to the UACIM Board of Trustees and an employee of UAC, is being put into a unique situation and that is why the Committee is recommending a more distinct clarification of the relationship between UAC and UACIM—does Shawn work for UAC or UACIM? Shawn Guzman reminded the Trustees that UACIM, as a governmental entity, must account for monies differently than does UAC as a non-profit organization. Since Brent Gardner was not in attendance at this meeting, LaVar Cox made a motion to work through these issues and concerns with Brent Gardner on July 18, 2002, 9:30 a.m. at the UAC offices. Kay Blackwell seconded the motion, which passed unanimously. The Board directed Shawn to update Brent on the intent of that meeting. Shawn explained that he had already discussed the Committee's recommendations with Brent since he was not able to attend this meeting. Shawn asked for clarification as to whether or not he should direct Larson & Company to begin auditing the Insurance Mutual Transaction Fund? The Board directed Shawn to wait and will give him direction at the July 18 meeting. Kent Sundberg made a motion to approve the Audit Committee recommendations 1a and 1b and table the remaining recommendations until the July 18 meeting. Steve Wall seconded the motion, which passed unanimously.

RESTRUCTURING of the UACIM BOARD

Six suggested scenarios for the restructuring of the UACIM Board were previously sent to the Trustees for review (see attachment #3). Gary Herbert expressed to Dan McConkie that he would like this agenda item tabled until he could be involved in the discussion. Dan did want a consensus from the Board Members in attendance as to what scenarios may be eliminated from discussion at the next meeting. LaVar Cox made a motion to eliminate scenarios 2, 3, 4 and add a new scenario, proposed by Kent Sundberg, for consideration. Royal Norman seconded the motion, which passed unanimously. Kent's scenario is one vote Davis County, one vote Utah County, one vote Weber County, two votes Third Class, one vote Fourth Class, one vote Fifth/Sixth Class, two At-Large votes and one vote each Committee chair.

DIRECTOR'S REPORT

Nominating Committee. Bylaws changes were approved at the April Membership meeting. Shawn Guzman directed the Board that three members need to be elected to serve on the Nominating Committee. Kay Blackwell nominated Dan McConkie as Chair, Lynn Lemon nominated Kay Blackwell and Royal Norman nominated LaVar Cox. Lynn Lemon made a motion to cease nomination. Steve Baker seconded the motion, which passed unanimously. Dan, Kay and LaVar were willing to serve so by acclamation the UACIM Nominating Committee was now in place.

Association of Governmental Risk Pools. Shawn reported that for the last few years he has been watching AGRiP, Association of Governmental Risk Pools that was organized in 1998 as a membership organization for public entity risk and benefits pools. It is a successor to the Pooling Section that operated for nearly 20 years under the auspices of the

Public Risk Management Association. As AGRiP has grown, Shawn would like UACIM to become a member, which requires approval by resolution of the Board. Steve Baker made a motion approving the membership in the Association of Governmental Risk Pools. Steve Wall seconded the motion, which passed unanimously. Shawn has been asked to speak at AGRiP's August Management and Leadership Workshop in Idaho.

Children Justice Centers. Mark Shurtleff, Utah Attorney General, will be speaking at the USACCC meeting on July 26, regarding Children Justice Centers. Craig Barlow and JoAnn Helstrom will also be in attendance giving this Board an opportunity to voice their concerns. Shawn will be meeting with Mark prior to the meeting to update him on the following concerns as indicated by the Board: 1) state insure, 2) state fund, 3) program defined as state, 4) state responsible, 5) 503C issues, 6) following procedures and 7) rewrite statute.

Membership Notice of Board Meetings. Shawn would like to begin sending Board meeting agendas to all member counties. Members are always welcome to attend the meetings so the Board directed Shawn to send the agenda to all member county commissioners/council members with a cover letter on the first mailing to explain that the agenda is for information only and they are not required to attend—each following agenda will be stamped with 'information only'.

Net Income. Shawn charted net income for the years 2000, 2001 and 2002 for the months February, March, April and May. Due to the low interest rates, income for the Mutual is decreasing. Shawn projects that the Mutual will still earn between \$10-20,000 in net income at year-end but nothing like what has been earned over the last few years. Shawn reported to the Audit Committee that he has instructed the actuary to perform a reserve study every six months instead of having such a big increase when IBNR reserves are released at the end of the year yet continue to be conservative. Interest is at 2% with the Public Treasurers Investment Fund causing over a \$100,000 difference in income from last year. The budget to actual comparison statement in the May 2002 financial statements illustrates that with the year 42% complete, the budget is at a negative 41%. The attachment point is being used for the projected losses and is amortized because the life of a loss is more than one year. Therefore, the negative net income of \$38,129 is an amortization of \$372,073, the actual incurred loss as of May, but cash flow continues to be positive. The Mutual is tax exempt and tries to take advantage of this status when possible but because UAC makes purchases for the Mutual through the Administration Fee this status cannot be used. Kent Sundberg and Lynn Lemon stated that this was another reason to have all Mutual expenses managed by the Board.

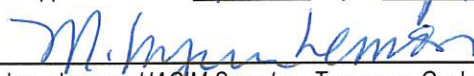
GENERAL BUDGET AMENDMENTS

Shawn Guzman reported that the 2002 budget was adopted before the Board approved the payment of the Lloyd's Flood Zone A policy for a premium of \$28,025 and there was also a pass through premium of \$7,560 to add the Dixie Center to the policy. Investment income is coming in lower than projected and the American National case has gone over budget. There may also be some additional costs from the reserve study and the administrative audit. Therefore, Shawn recommended that the Board increase *Premiums Written* to \$3,612,410, decrease the *Investment Income* to \$240,000, increase *Reinsurance* to \$1,100,244 and increase *Other Expenses* to \$48,300 on the 2002 General Budget. Royal Norman made a motion to accept the General Budget amendments as recommended by Shawn Guzman. Steve Baker seconded the motion, which passed unanimously.

OTHER BUSINESS

No other business was discussed. Dan McConkie adjourned the meeting until July 18, 2002.

Approved on this 19 day of September, 2002


Lynn Lemon, UACIM Secretary-Treasurer, Cache County Executive

UACIM Board of Trustees Meeting, July 27, 2002, 9:30 a.m., UAC Offices

Agenda Item: Audit Committee Report (verbatim)

McConkie: Every board, and you all sit on a bunch of boards, but every board can use training of their fiduciary trust every year.

Guzman: I agree.

McConkie: You can over train board members for what they' re responsible for so we can plan from time to time some training of what an insurance board' s fiduciary trust is under the current Utah law and what our own expectations are of ourselves to our customers.

Guzman: Which we' ve never done.

McConkie: I don' t think we' ve ever done this since I' ve been a part of this so we maybe could plan something next time around.

Guzman: If that is the Board' s direction to me, I' ll put it together.

Baker: I would think they are more on the finances and the actuarial things.....background solid every year. I do something for the retirement board every year.

Guzman: Include that in as well. I know we have a report from the Audit Committee today but I' ll before we start that is that in prior years it was basically just sitting down with the director and the director going over the reports with them but in the last two years since I' ve been here, we' ve had our actuary come in and talk to the Audit Committee and our accountants come in and talk each year. Not just because we want them to explain what the numbers are showing us but we need to know how they get to those numbers and if you' ve ever visited with an actuary you can' t get it in one meeting, you can' t get it in two...

McConkie: Can' t get it in a year.

Baker: I would like to see the whole Board meeting with actuary, the education of it....

McConkie: Next item is the Audit Committee report, Tex.

Tex: The Audit Committee met and met with the actuary and the accountants and we have actually spent in excess of...

Sundberg: Do you want me to pass this out yet, Tex? Did you get my fax?

Olsen: Yes, that will be fine, I did get your fax. So just pass these around and then we' ll talk about these. But we met with the actuary and are income depends quite an extent on our reserves for losses that haven' t been paid out yet. And so the actuary went through

his method of examining the reserves and after reviewing them with him we concluded that the method was satisfactory and if anything was conservative and that we were properly reserved. We also talked with our auditor and reviewed the figures and those figures that they are able to audit we feel are accurate and that our financial report does show accurately the financial reserves and earnings of the company as a mutual and our unassigned surplus has increased from \$2,208,000 to \$3,406,000 and that we did have an operating net income of \$1,248,000. The Audit Committee has been telling this Board for the few years that there is a half million dollars in expenses that we cannot audit, this Board does not have control over and we were concerned about those things and if you recall that grows out of our method of dealing with UAC. UAC handles our expenses. We adopt a budget that is presented to us, then we pay the budget money into UAC and then that money is expended by UAC. Now, the one concern that we had was, over the past years we've adopted a budget over the years we've never really fully spend the budget. And in one year, at least in 2000, there was approximately \$90,000 that was not spent. Those funds have not been returned to us. They are held by UAC and we were concerned and so we asked the auditor, we said that we have talked about this allot and we got into a little agreement a year ago where we were told by the UAC Director, Brent, that it was difficult for him to administer the funds unless we pay in the budget. In negotiations we talked about if there is a fee to UAC for Brent's services, for example, and we do have a \$5000 fee there and if it ought to be more we ought to discuss it and arrive at what is reasonable, rather than have UAC keep whatever savings there is from the budge, because we just don't control of anything. We said what do you think is the extent of what UAC has withheld in that manner. And the auditor said that they really haven't audited UAC's books but their best information leads them to believe that it would be \$452,000 of the Mutual's money that has just been withheld.

McConkie: Since day one?

Olsen: That is since day one.

Sundberg: \$457,900 actually.

McConkie: A period of how many years, eight years?

Lemon: Ten years.

McConkie: About \$45,000 a year then.

Sundberg: Like Tex said in 2000 it was \$94,000 that was a big year.

McConkie: Big year!

Guzman: It should be pointed out in that figure though that that includes interest income on that account too. So when you're calculating that much per year...

Olsen: But that would follow...you're talking about fairly substantial money and then there were other things in the budget that you just wonder about and one is the automobile

account. Now for example, we buy an automobile and the automobile is \$25,000 and then in each of our budgets we also reserve for an automobile and that is good judgment so we have money to buy an automobile when the next comes around and so in this example I'm using we have a \$25,000 asset or more there all the time because we have at least bought the automobile and also put in a reserve. Maybe it's worth more. How many automobiles do we have?

Guzman: Two.

Olsen: Okay, two automobiles, it would be double my example. Well, that's a \$50,000 asset that isn't on our book and is solely under UAC's control. Well, and we do not look at UAC's books. So that got us into some other things and the Audit Committee realized that we have never really known the extent of the building funds that were there and wondered why. Well, part of those inquiries is that our employees, our Director and Sonya are employees of UAC. They're Brent's employees, they're not our employees. So we put them in a difficult position, if they audit the books it's kind of an insult to the boss and so we just don't have this information available to us and so we have some specific recommendations in that area and Kent, why don't you just review those items.

Sundberg: The first section there are some suggestions our accountant made actually based on discussions with staff, she felt like it would be easier to manage if Shawn be authorized to sign claims checks with Korby.

Olsen: See, the other problem is Brent is not actively, well, I shouldn't say isn't active in the Mutual because he does take an interest in the Mutual, but he is one step removed, he signs all the checks, the Director, who should be following....us on those expenses is the...thing.

Sundberg: And second that Shawn be one of the four individuals authorized to sign administrative expense checks. Right now it takes two signatures and it was felt that for the ease of management that that would be a good move also. And then second item we again at the suggestion of our auditor, she's the one that really brought this large balance that accumulated over the years to our attention and it keeps getting bigger. She was concerned that the \$94,000 in 2000 and now we have the 2001 numbers that was another \$54,000 excess revenue over expenses...

Lemon: Yeah, and Kent when we talked to her she said she actually got that number from UAC's auditor, right?

Sundberg: Yeah, you're right, from their outside auditor. And then, we also feel like it would really be helpful to us as a Board to have UAC provide monthly reports of that administrative budget to us. We really don't know where it is all the time. All of a sudden we have one at the first of the year and then we see one at the end basically. We feel like that would be more helpful and our auditor certainly agreed. And then, four, it was felt be the Audit Committee that a lot of the line item expenses in the budget that we have with UAC should be transferred to our UAC Insurance Mutual general budget so we can manage things like postage, office supplies, things like that that really ought to be

handled internally, automobiles that we felt like pretty much everything but rent and personnel expenses really ought to be transferred over so we can manage them more appropriately as a staff and as a Board. And finally, I don't know how much we want to get into this it may not be the time for that but we felt like there needed to be a more distinct clarification of the relationship between UAC and the Mutual and primarily talking about the employees there, little more answerable to the Board rather than to the UAC staff.

Olsen: If UAC is giving us a payroll service, that's one thing, just paying our employees but they're our employees that's clarifying but on the other hand if they're employees of UAC it just creates problems that will reach conflict. For example, under our present agreement with UAC they're to administer our budget so they really decide in this category how we spend our half million dollars that goes into this expense category, we don't, and really those are expenses the Board does have a little control over or would have control over. And then the other thing we have is that we got into a little dispute on what our operating contract should be with UAC and so we included in the contract that we pay all of our expenses, our expenses would be based on our budget but we were told, we were never told, the accumulation..we were never given any figures, we were just told that it would be convenient if there was a surplus there so if they run out of money they don't have to run back and forth to get an appropriation, extra money, that sort of thing so it was a convenience idea. So we didn't care about it too much but you will recall we finally settled it by saying that if there was anything left over UAC would keep up to \$7,500 and that a bad deal.

Lemon: That's the agreement we reached last year.

Olsen: That's the agreement we reached last year and what I'm really saying, that's kind of an awkward deal because if UAC controls our budget, if Brent controls our budget, we know to say that \$7,500 that he can have \$7,500 savings in our budget..purchases for a month, that type of thing. I don't think Brent would do something like that but the suspicion isn't good for any of us, especially if there is a surplus he gets, he manages it so there is a surplus he can keep \$7,500 of it, it's just not a good relationship.

Lemon: The thing I felt uncomfortable with when we were, I didn't feel uncomfortable, I felt bad because when we started talking to our external auditor and asking her questions, then based on the responses we got from her questions, we started asking our staff questions and we were really putting them in a very difficult situation. The Audit Committee was asking them, and they said, um, what are we suppose to do, this pretty hard, I mean we were asking about this reserve account and I think it is difficult for them if Brent is their boss, it's pretty hard for them to be forthright with us...

Olsen: Or even watch it.

Lemon: Or even watch it and I'm not trying to put you guys on the spot but I think it has put you in an uncomfortable situation.

McConkie: Observation is that I don't believe that 1) to have this Board micromanagement of our employees.

Lemon: We don't.

Cox: Does Sonya do work for UAC as well as the Insurance Mutual?

Lemon: She used to work 50% for us and then 10% for MCAT.

Cox: The way this is apparently set up that UAC was...so UAC apparently started the Mutual?

Sundberg: Facilitated the starting of it.

McConkie: I'm gonna tell you a little story that this is pretty much parallel is that, PEHP, Public Employees Health Plan, gave birth to a program to become EMIA, Educators Mutual, which is now in trouble and have a struggle but you go back 20 years and that story is what we're talking about here with our Insurance Mutual and UAC and we're growing up as a Mutual here, we're growing up and we're getting to the point here now where to solve these problems, one through four, you need answer to number five, folks, that's what happened at PEHP, we finally had to cut them people loose and let them go out and be their own entity and they became separate from Lynn Baker and from PEHP. Developed their own Board, went their own way and became a very successful product for some time. But then pretty soon they made some choices/decisions that's caused them allot of grief and in recent years I think they've gone into almost destruction mode. They're looking for someone to come in and pick up the pieces and underwrite them and pay for them. So if we can give an answer to number five right here, ultimately, just seems to me, you've either got to cut the umbilical cord here almost for the Insurance Mutual to be able to have these kind of audited independence your asking for because there is no other way to do that. We've said that we need UAC, I can remember discussions over the last four or five years we need UAC to be the umbrella to protect and preserve and take care of the Insurance Mutual and you can't have it both ways.

Lemon: If UAC wouldn't have been there, I think the Insurance Mutual would have had a hard time getting going, however, even having said that, most of us, in fact all of us, are represented by the Mutual and all of us are represented by UAC. The only difference is that there are other member counties that are part of UAC that aren't part of the Mutual.

McConkie: That's correct.

Lemon: And so, it does seem right to me that if there is a balance there that belongs to the Mutual that the Mutual ought to have that balance. Again, Dannie, you've been involved in it longer than I have but I am just looking at it simplistically...

McConkie: Kents been around since its beginning.

Sundberg: I think our independent auditor is just really alarmed that we're sitting there, that UAC has a half a million bucks of ours. I think that is safe to say and it bothers me. Why should Salt Lake have essentially we're talking about the Mutual and Salt Lake and they're getting benefited a half a million bucks accumulated over ten years and the thing that bothers me is I think we were let to believe there wasn't an excess. I have always heard, 'oh, it's just, you know, we're just talking about a few dollars here'. Well that's not true, it's \$457,000 and that ought to be in the Mutual's coffers that should not be held by UAC. We should be earning the interest, we are getting credit for the interest so it's not that they're not giving us credit for it but we ought to have that money and in my opinion we ought to have better control of these line items and we ought to have that in our budget, that ought to be controlled by us. Everything, I mean, I don't care if you leave the staff salaries there and the rent and things like that that we can pay to UAC but I think almost everything else we can parcel out and handle on our own. I really think that is what we should be doing.

Lemon: I agree. I don't see UAC and the Mutual separated.

Sundberg: No, and I don't either.

Lemon: I don't think we want that. We need to work together. I think this is just a matter of saying, there are member counties that are part of the Mutual and there are counties that are not part of the Mutual and so we ought to try to keep it clean. There ought to be a clean separation as far as...

Sundberg: We are a separate entity, that's what looks bad. We are separate entities, we're a governmental entity they're a non-profit corporation and yet they have a half a million bucks of ours.

Norman: Are we going by a line item budget with UAC or do we say it's a half a million dollars a year?

Lemon: Remember that's what we debated last year. We came up with, they didn't want to nickel and dime and we're not proposing we nickel and dime but I think...

Norman: Well in their opinion then are they thinking that \$457,000 belongs to UAC.

McConkie: It would be nice if Brent were here to defend...

Sundberg: Brent's position has always been, 'we don't want to micromanage this whatever is left over belongs to UAC, if you owe money, we're not going to collect it either'. The trouble is it's been a big line item, it hasn't been a few cents here and there.

Cox: I would have a hard time paying insurance dues and not know where all that money is. I would think that any money left over at the end of the year, if that's where this money is coming from, because you're under budget needs to go right back into the Insurance Mutual budget to be re-budgeted or put in savings or whatever. And those things that Brent is paying out of that money needs to be part of our budget so we can see

how that's being paid. Another question I have is what is the relationship between this Board and the UAC Board.

Lemon: Many of us serve on both.

McConkie: I'm a picture kind of guy.

Cox: So the UAC Board doesn't have any authority over this Board.

McConkie: Absolutely none and we have none over them.

Cox: Then I am more determined that the money that is being paid to UAC Mutual, UAC Mutual controls all of it.

Norman: I think the argument Brent, and I'm trying to recall, we're in UAC's facility.

Guzman: No we're not. We own half/part...

McConkie: We have ownership now...

Sundberg: ..of this building, so that's not a good argument.

McConkie: We finally solved that problem.

Sundberg: But you're right that was an old argument but that is no longer a good argument.

Norman: ..that UAC is servicing this company and it's going to cost this many dollars and I guess that's my point, that's why I asked the question is it a line item budget or is it just a flat, this is what you owe UAC each year?

Sundberg: No, that's the budget right there and what I'm saying is that, you can just go down the list, staff salaries, training assistance, things like that may be ought to remain but automobile I think we can administer that, we can administer Board expense, we can administer data process, staff expense all that stuff.

Norman: Then the \$450,000 is actually owed to the Mutual or do you think that it's something we should say from now on we want to itemize.

Sundberg: No, I think we are violating our fiduciary responsibilities to take that attitude. I think our responsibility is the say to UAC, you owe us \$457,000, pony up.

McConkie: This goes back to what I mentioned earlier about training. If we had some legal training of our fiduciary trust for this body, I think I can safely predict that you would want your independence from UAC in every way. You'd find out that you'd have some responsibility if things went belly up. Royal you're on the hook for some stuff, not UAC, you are on the hook for it. So if we get some fiduciary trust training, of current law, of the

responsibilities of this body, you' re going to see things a little differently than if we don' t have that, I think.

Lemon: I think that' s true.

McConkie: Am I on track here? I' m not sure you' re going to make Brent happy?

Sundberg: That is our management fee budget.

Lemon: We do have a responsibility and you know what, we have fiduciary duty to this Board. Most of us, many of us sit on the UAC Board too and so we' re, I mean I think we' re going to be caught in the center, we want a good working relationship between UAC and between the Mutual. We don' t want an adversarial relationship.

Guzman: One seat on this Board to be a member of the UAC Board of Directors. At least one. Our Bylaws require that.

Cox: Myself, I think this needs to be financially separated somehow.

Olsen: The other problem is that since our staff is directly accountable to Brent, Brent is the one that comes into us recommends raises or what should be done, it' s a relationship that is just going to have to be unwound somehow if we' re going to run the ship.

Lemon: Maybe we ought to give Brent an opportunity to visit with us and just say these are concerns we really have and we need to address them. We can' t just ignore them and think that they' re going to go away or shove them under the table.

McConkie: I think there' s no doubt about that.

Olsen: The thing that disturbs me about it all is that there has never been full disclosure of how much UAC was keeping of the Mutual' s money.

McConkie: Well, I think probably UAC believes there has been full disclosure. I don' t think there has been an attempt to place...I honestly believe that. I think there has been integrity involved here but I said that I' m a picture kinda guy, if you had a picture, Tex, of a graph of how these two organizations fit together and line things up as to their responsibilities and authority and then you had some fiduciary training you' re going to change that graph I can guarantee you, you will. I mean you will vote to do that as a member of this Board and over on the UAC Board, if you' re wearing that hat and you have a fiduciary trust responsibility to what you owe to those people, if you' re sitting on both places, you' re going to do the same thing over there. You' re actually going to realize you have a responsibility to UAC that is different than when you' re sitting on this Board. They can' t be the same. Those powers are separated, we just haven' t been behaving that way, out of trust for our Mutual' s need to have this insurance mutual survived and in the first few years of it, it would have never survived if it hadn' t had the umbrella of UAC. I think everyone would conceive that. Now if that' s true, is there some reason for those UAC staff or Board members to say, well, that \$457,000 is

payment for us keeping you alive and changing your diaper for the first five years or whatever it was, I don't know.

Lemon: What we ought to do is we ought to look and see what was saved in the first five years or whatever but I think it is troubling to think that there has been a savings over that...

Sundberg: Well we were paying a higher administrative fee those first few years for Brent's time and others and it's pretty minimal now but it was higher at one time.

Norman: I don't think UAC Board of Directors even knows what's going on.

Lemon: They don't.

Norman: Maybe the Executive Committee.

Sundberg: According to the credit of our auditors, she brought this up. I think that is her job.

McConkie: Kent, isn't just a product of just progression, evolution, we've grown up, things are different now and if they are then we need to address the fact of how different are they.

Sundberg: Early on we didn't have a Director. Brent and Jess, our broker, filled that role and over the years, Brent's involvement has been much, much less, as we know, and our broker's relationship is much different. I'm not saying that UAC even realized that it was this much excess. I think it has built up over the years and maybe in their mind it has been minimal, just a few thousand dollars here and there.

Lemon: But according to the auditor, they have a separate line item for this, it's tagged Mutual.

Sundberg: It's a separate fund, yeah.

McConkie: Who is our legal council as a Board? Do we have legal council, Shawn, are you *our* ~~are~~ lawyer? Do we have a firm that represents us?

Guzman: We don't have a firm that represents you as a Board. Who I have gone to for advise is Craig Wentz. I have the title of legal council but I work for UAC which puts me in a unique situation because does that mean I can't talk to Brent before I advise you?

McConkie: It means that we can't get an unbiased opinion.

Sundberg: We don't go to Bill Peters.

Guzman: No, do I tell Brent have Bill Peters call me and I'll talk to your attorney, you know what I mean. It does put me in a unique situation as legal council.

Lemon: I don' t think we want to do that.

Guzman: No, that' s what I mean.

Lemon: It wouldn' t hurt to have Shawn go and talk to an independent attorney. Do we need to do that?

McConkie: I can think of a similar circumstance like this that I was involved in the last ten years that was an ambulance association. It resonates very closely what' s going on here. We finally had to go out and get an independent law firm to come in and review the heck out of everything and tell us whether winning and losing our liabilities issues were and we straightened that out but it took us about three years.

Guzman: Let' s say that we do that, I' m the legal council for the Board, I assume, that means that I go out and hire an attorney, let' s say I talk to Craig Wentz about something, he tells me, Brent comes to my office and says, well what' s going on, I say, I can' t tell you. I' m legal council for the Board and what I talk to with my attorney or the Board' s attorney is privileged information and I can' t discuss that with you. That' s where you all, I think looking at more and more at what Kent' s saying on the end, I need some direction there, as far as being, as attorney I need some direction there.

McConkie: We' re not trying to be insubordinate here. We' re trying to do the right thing for the right reasons.

Olsen: I think we' ve all identified the problem and maybe we just ought to discuss the problem before we talk about getting a firm of attorneys, analyze it and reach the same conclusion that we' ve reached, we ought to find out from Brent how we got there and how we can cure the problem.

Lemon: I think that' s a good idea, that' s probably the way to do it.

Olsen: If it' s more complicated than we see it now, why then maybe we should get some experts to analyze it for us.

Cox: Maybe Brent would want us to be more separate in a lot of ways.

Sundberg: I think Brent' s been concerned about spitting them because he' s seen in other states where they have split them and there has been problems. I think it would be good to have John here too to talk about what states the Mutual split off of the association and so forth.

McConkie: Evolution has taken place here. The Mutual is growing and we' re changing shape and size and dimension and value and everything else and with that means, in my mind, that we need to address those change needs, what are they and \$457,000 sounds like pretty good incentive to get involved here.

Cox: Will that require us to actually make a split?

Lemon: No. All that it has to do, all that we would requires is that funding come from UAC' s books to the Mutual' s books.

Cox: That' s what I would...

McConkie: We could have a memorandum of agreement understanding, I think...

Sundberg: That would be the first step that I think we absolutely have to do. Whether we want to get into the splitting of the staff out of, taking them out of UAC and making them the Mutual' s...this thing ought to be first.

Olsen: The UAC staff has to be responsible to the Mutual and this Board. Anything short of that is going to leave us with confusion and problems that we now have. Now if we want some payroll assistance then our agreement is that they' ll handle the payroll.

McConkie: Okay, let' s talk about our connection, if we can for just a second, between this Board and Brent Gardner. What is the connection between us and him?

Guzman: We need to recognize that there are two separate entities. One is a governmental entity which has a whole set of requirements placed on you all and us that are different from a private entity. We are subject to an audit by the state auditor, for example, we have to turn our budget to them. We have to handle our budget in a different manner than a private non-profit and so we need to make absolutely sure that what we' re doing is in compliance with the state auditor. So keep in mind that UAC can handle their money differently than we should be handling ours. But as far as the relationship goes, I guess that' s never been explained to me.

McConkie: I' m a little foggy on it myself, in other words, does Brent get direction from us? Do we have authority to give him direction? He comes in and makes a case for different stuff every year and we either vote yes or no or modify.

Lemon: We probably do budget wise.

Sundberg: I think as far as employees are concerned he comes in and gets our opinion then I think it' s his decision, that' s been my understanding. It' s his decision whether or not they get raises or don' t get raises whether we want them or not.

McConkie: It sounds like to me that we need a lot of discussion with Brent and, has Gary been updated with this stuff here?

Lemon: No, I don' t think so...

Sundberg: We just intended to bring it up in the Board meeting.

McConkie: Then I think we need to schedule not a Board meeting but a working session where we talk about these kind of issues. I don't know how you feel but it means another meeting.

Baker: I think we need to identify all the issues. I think its evolution but maybe we ought to ask for this balance nonetheless and we ought to get services from UAC, craft our agreement with them as carefully as we did when we went through the brokers so they're not making excess profit. I think the issue of the employees is key. I think that you've got to be in charge of your Director and then you can give him authority to hire employees or all employees go to you but not UAC at all. You can bridge that with...

McConkie: Who hired Shawn, Brent Gardner or us?

Guzman: Brent talked to you all and then came and told me the Board has...

Sundberg: Let's go back, the original example would be Brett. The Board selected Brett. The Board, there was an interview committee made up of, I don't know who, me, Gary, Brent, so Brent was involved, there was more than that, there was about five of us involved, we were kind of a subcommittee and then the whole Board, remind me Sonya, did the whole Board interview the three finalists?

White: They all came in, yeah.

Sundberg: Yeah, I think so, then Brett was hired, then later when we added the Risk Manager, or when we got rid of our former Risk Manager, Dave, and hired Shawn I think the same process was followed.

Guzman: I didn't meet with the full Board though; I just met with you, Ed, Brent, Ken, Gerald Hess...

Sundberg: But then with Shawn, if I recall, the Board recommended that he be hired to replace Brett but then Brent probably is the one that told you, you were hired.

Baker: I see Brett and Brent, they may have talked to you as a Committee but Brett and Brent made the decision.

Lemon: But they are UAC employees. I bet your paycheck says Utah Association of Counties, it doesn't say Utah Association of Counties Insurance Mutual.

Norman: May question is then, if this account has been kept separate, does Brent consider that money belongs to UAC?

Lemon: I think what has happened, and this is what we assume has happened and that is why we would like it audited is that we have transferred money every year to pay for these expense, we have approved a budget, that funding is gone there, they have paid all of the expense including the payroll out of there and there is still \$450,000 left.

Norman: That's the question; does UAC figure that's there money or the insurance money?

Sundberg: Until a couple of years ago when we brought this up, I think Brent considered yes, any excess was theirs if there had been a minus then he would have thought still wouldn't of mattered he wouldn't have asked us for money but we brought it up a couple of years ago...

Olsen: You can see why he wouldn't have asked us for money, there was already....

Lemon: We could skip a year.

Sundberg: We brought this up a couple of years ago, if you remember we negotiated back and forth and he thought, well, he said, if there's anything more than \$20,000 as I recall, then we'll pay you back and we said no, that's too much, then the Board finally settled for \$7,500 which I objected too. I said if there was a dollar and a half it ought to be returned if we owed them a dollar and a half we ought to pay them.

Olsen: I remember voting for that just to get the issue settled because we didn't need it...

Cox: I think we're keeping two people in an awkward situation here...

Several voices agreeing.

Cox: ...but I think we need to move on as a group.

McConkie: It appears to me we've had a good audit report, we know we've got some concerns we need to address. Tex, do you believe that there's a need for any kind of action on this report today in terms of this Board or do you want to delay it until we have further information? I'm asking your direction here as the Chairman of the Audit Committee. You've got five items here in front of us.

Olsen: For this report, without the detail has been made for the last three years and we've passed it and I'm just wondering if we shouldn't have something in the minutes directing either further study or an additional meeting with UAC, some follow-up study of some kind.

McConkie: I think we got that kind of a motion from LaVar, we didn't get a second but I think we got that motion.

Guzman: Now what was the motion?

Cox: What Tex just said, to get us a work meeting setup, to get Brent in here and we start working this problem out.

McConkie: See if we can't come to resolution on this particular audit report and do we want to do this within the next 90 days?

Guzman: Let me point out that we are in June and I've already asked Brent to start preparing the administrative budget for next year because we have to make those decisions in August so we're going to be pretty quick upon having to settle all of this as far as the recommendations of the Committee essentially soon because we're going to be doing the 2003 budget in another month.

McConkie: Are we able to set a date right now, have you guys got calendaring capacity that we can set a date and hope that it fits with Mr. Herbert.

Sundberg: We're we going to have a Board meeting in July?

McConkie: I was looking here, if we do it's July 25, a lot of you guys may not be available on May 25, I'm in Washington D.C.

White: Actually it's the 18th.

Guzman: The 25th I'll be coming back from Chicago meeting with our underwriters. I will be here on the 26th because that's the day we're meeting with Mark Shurtleff...

Sundberg: What about the 18th?

McConkie: I've got the 18th. Do we want to meet earlier than 9:30 in a work session to talk about this issue for an hour and a half?

Olsen: Are you proposing that the primarily be the Audit Committee and officers of the group or our full Board?

Cox: I want to be involved in that and help ask the questions to Brent to clarify some things.

Lemon: Just make it part of the Board meeting.

McConkie: Okay then what we're saying is that let's do it at 9:30 and plan not to be done before 2:00 or 3:00.

Guzman: If you want me to keep the agenda clear on the Board meeting we can just put the essential litigation items and anything that needs a decision from the Board, anything else we'll cut out.

McConkie: Conceivably you're going to need a couple of hours. You can meet with Brent and bring him up to speed of the wishes of the Board can't ya, you feel comfortable doing that or do you want one of us to do that as well?

Guzman: No, I feel comfortable. I've talked to him a little bit about the recommendations.

Lemon: Does he know about these?

McConkie: [talking to Shawn]...in fact if we need to sit down and meet it would be nice to have Gary apart of that because I know he wanted to be here this morning but he felt really a need to be part of that unit services stuff at the Capitol, wasn't he up there?

Lemon: I didn't see him.

McConkie: I thought he was at that meeting. I talked to him last night too about 6 o'clock. Okay, well, that's what we're going to do, Shawn we'll work it out whatever you need. We have a motion and a second on the table, all in favor say I...

Everyone: I

White: Who was the second on that?

McConkie: Kay

Guzman: Mr. Chairman can I have a clarification then for my, since I was directed to do, to have our accountants speak in the audit, am I to tell my accountants not to start auditing the administrative budget portion?

Lemon: I think we ought to wait until we meet Brent. I think that needs to be done.

McConkie: I think it needs to be done too but let's hang on, let's don't create an environment here that becomes hostile. We're a bunch of friends, in the same boat together, we've just got waters on different sides of the boat right now going different directions.

Lemon: Both sides paddling two different ways.

Guzman: That's fine as long as I have the Board telling me to wait, I just wanted to get that on record.

Lemon: I feel these are important recommendations and we need to do them.

McConkie: I do too, everything here.

Sundberg: How about those first couple of items? I don't see why we can't do those two, that is just ease of internal operation that the auditor recommended and I think those would just facilitate better management.

McConkie: Okay, is that a motion?

Cox: Which ones are you talking about?

Sundberg: One A and B.

McConkie: Anyone have a question?

Wall: I' ll second that motion.

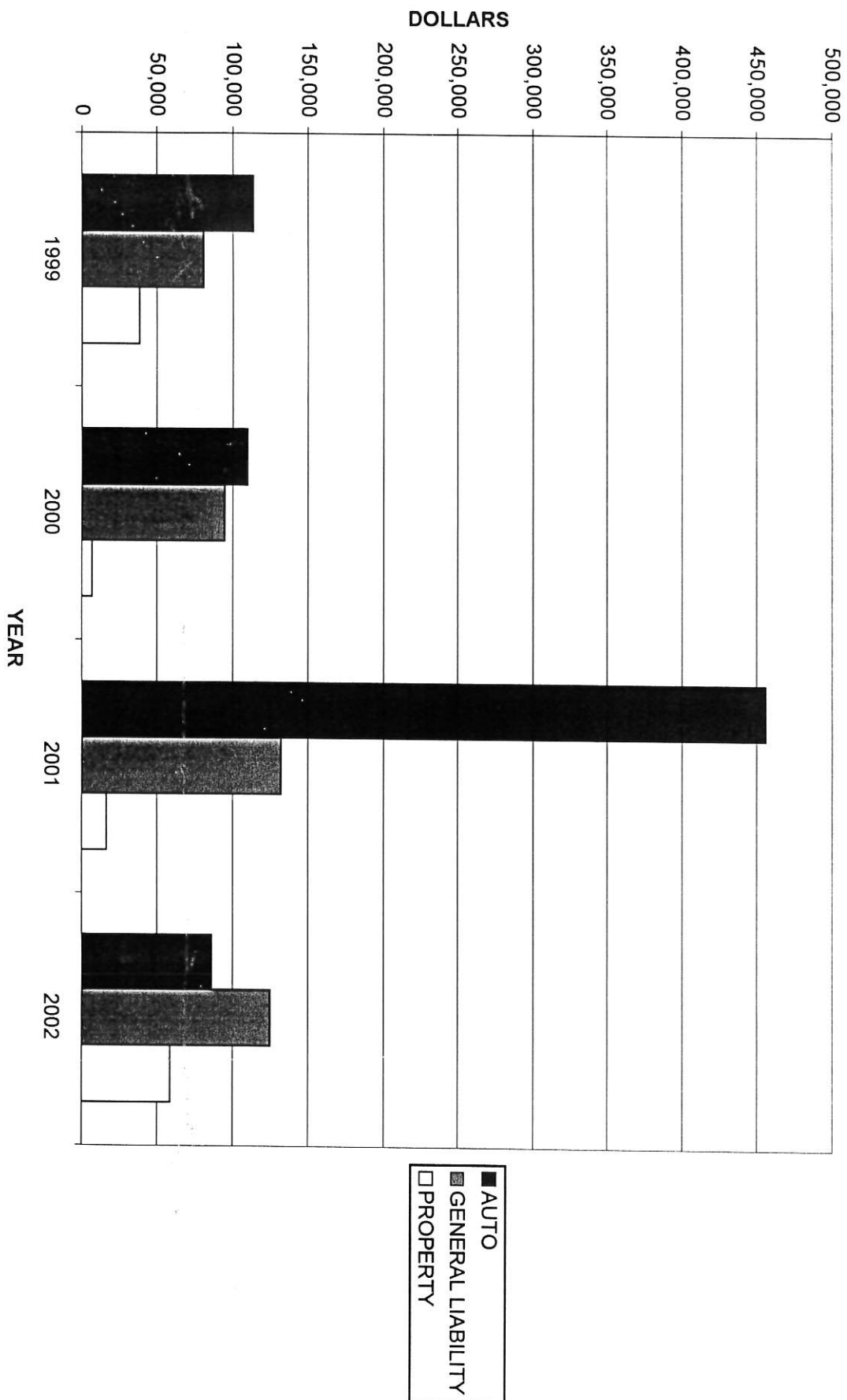
McConkie: Okay we got a motion and second, any further discussion? All in favor say I.

Everyone: I.

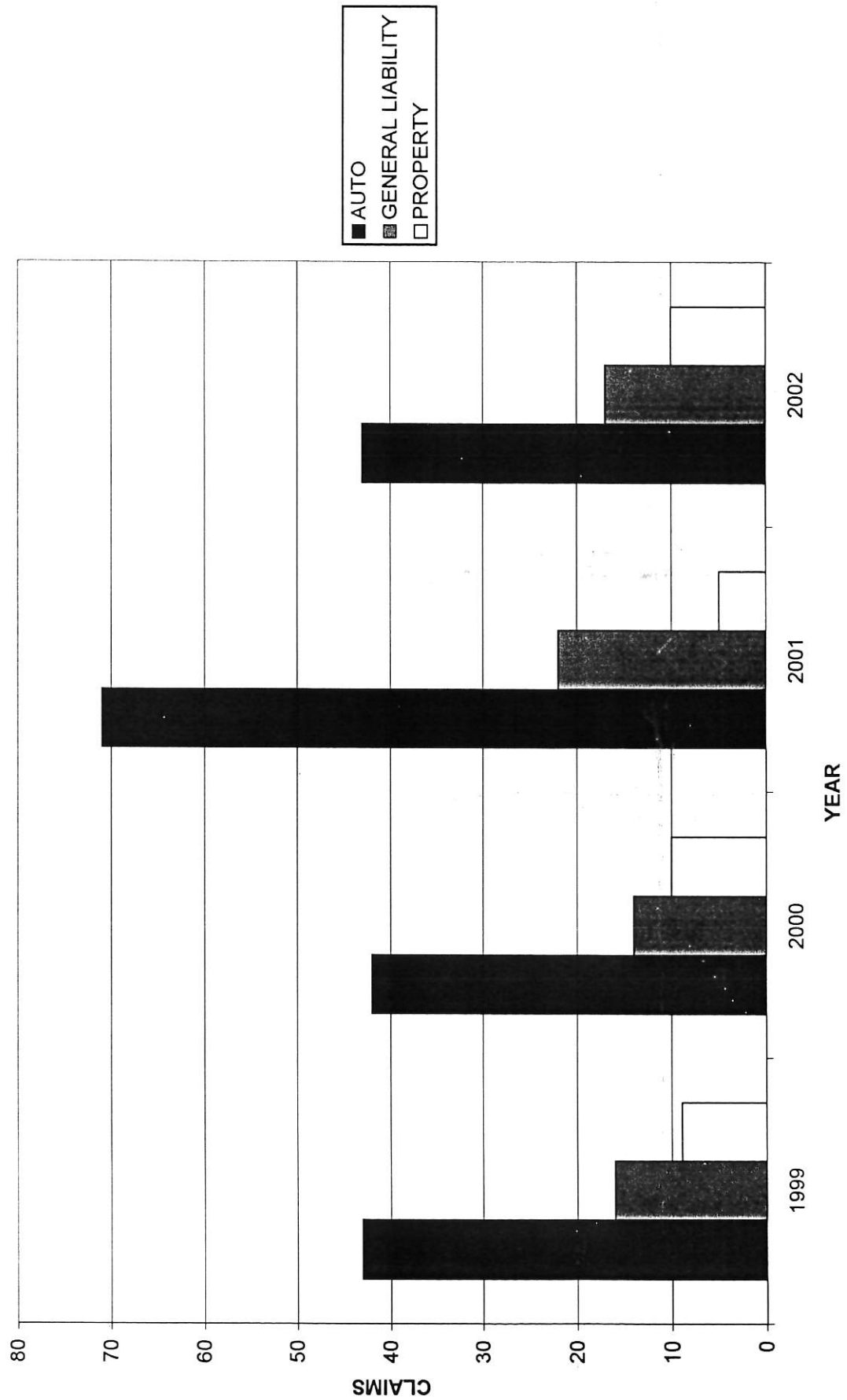
McConkie: Opposed? It' s unanimous. We' re going to hold up on number two, three, four and five. In essence with five, I think that will solve the others, hopefully.

Lemon: Even this will tie together because as he' s preparing the budget for next year, this should come up. Some of these items lets just keep in our books.

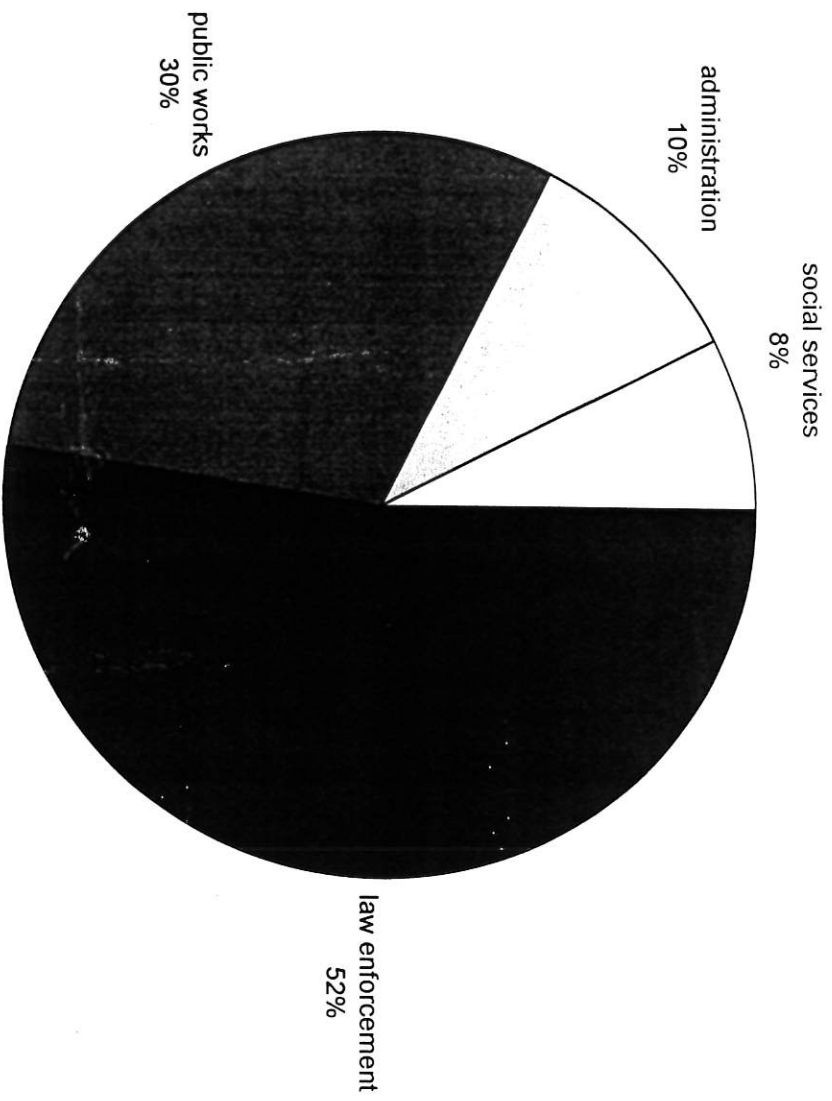
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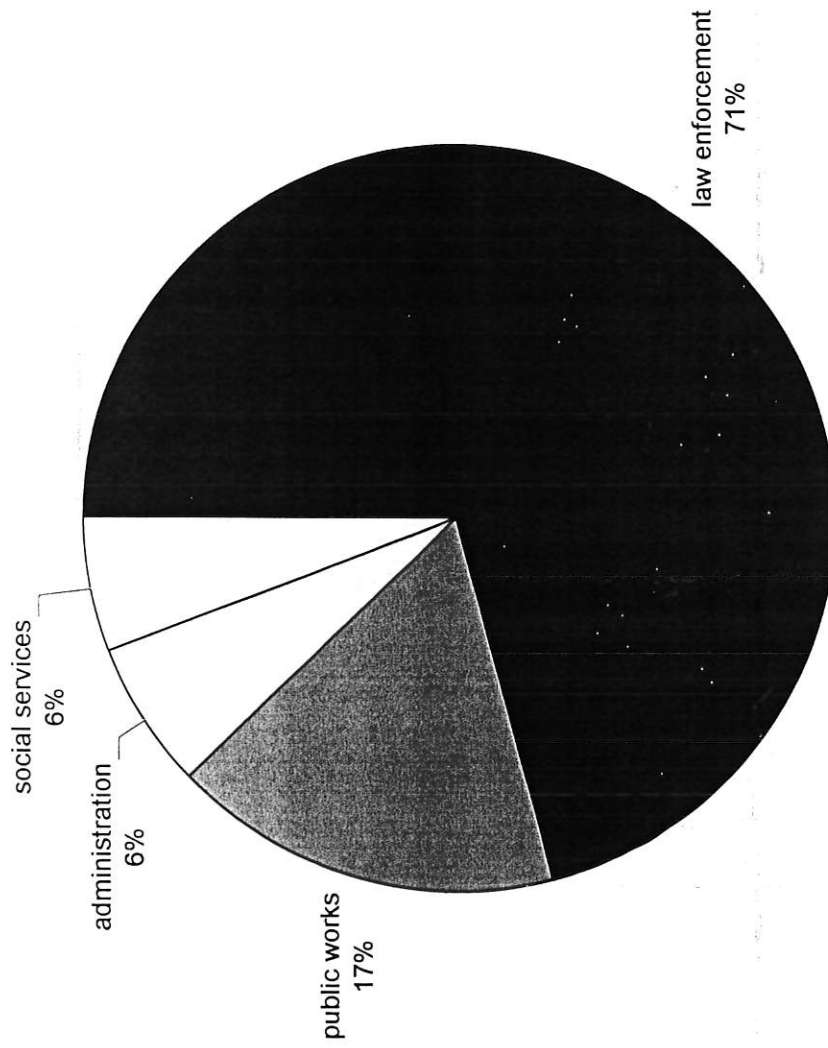
FREQUENCY OF CLAIMS THOURGH MAY 1999-2002



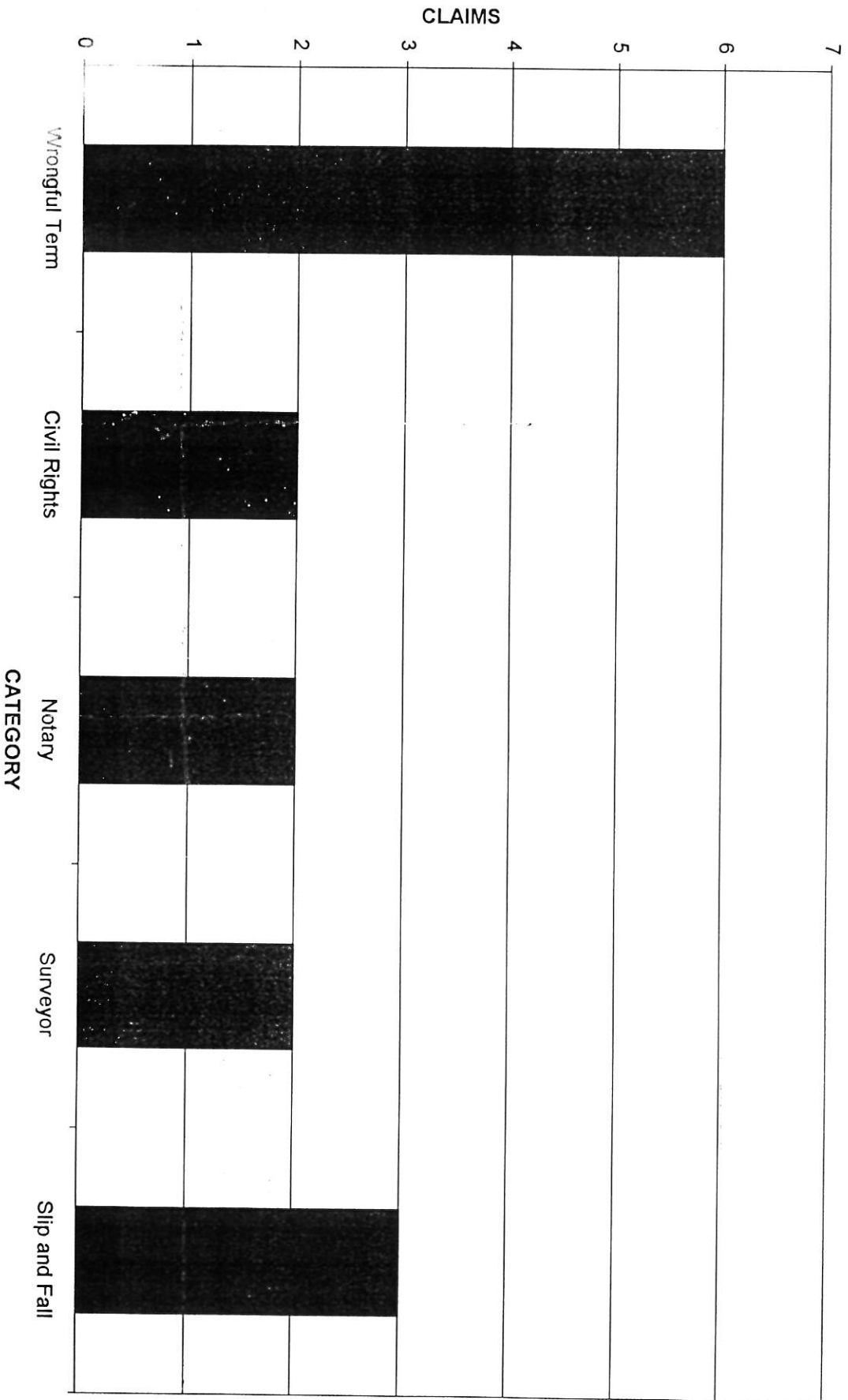
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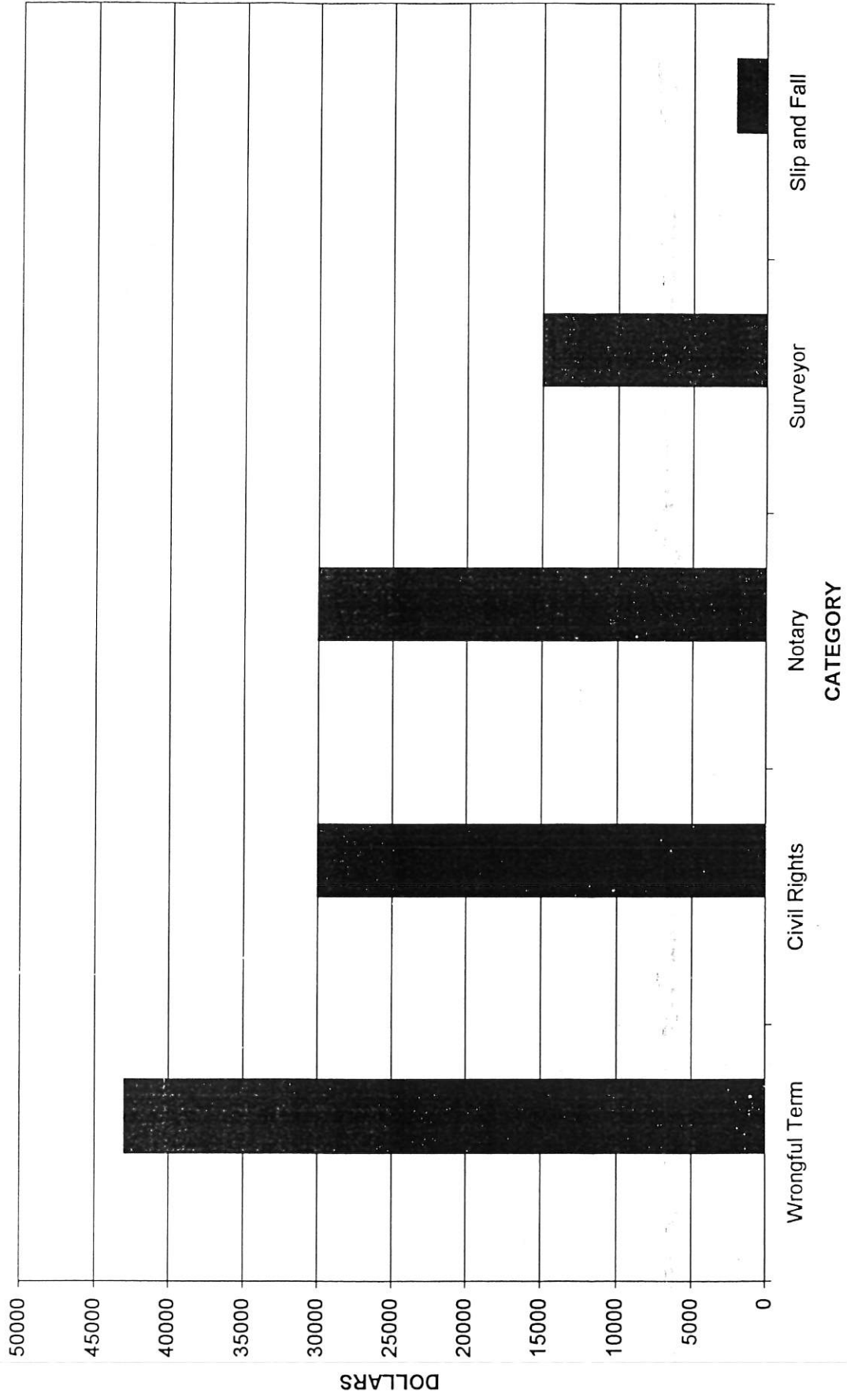
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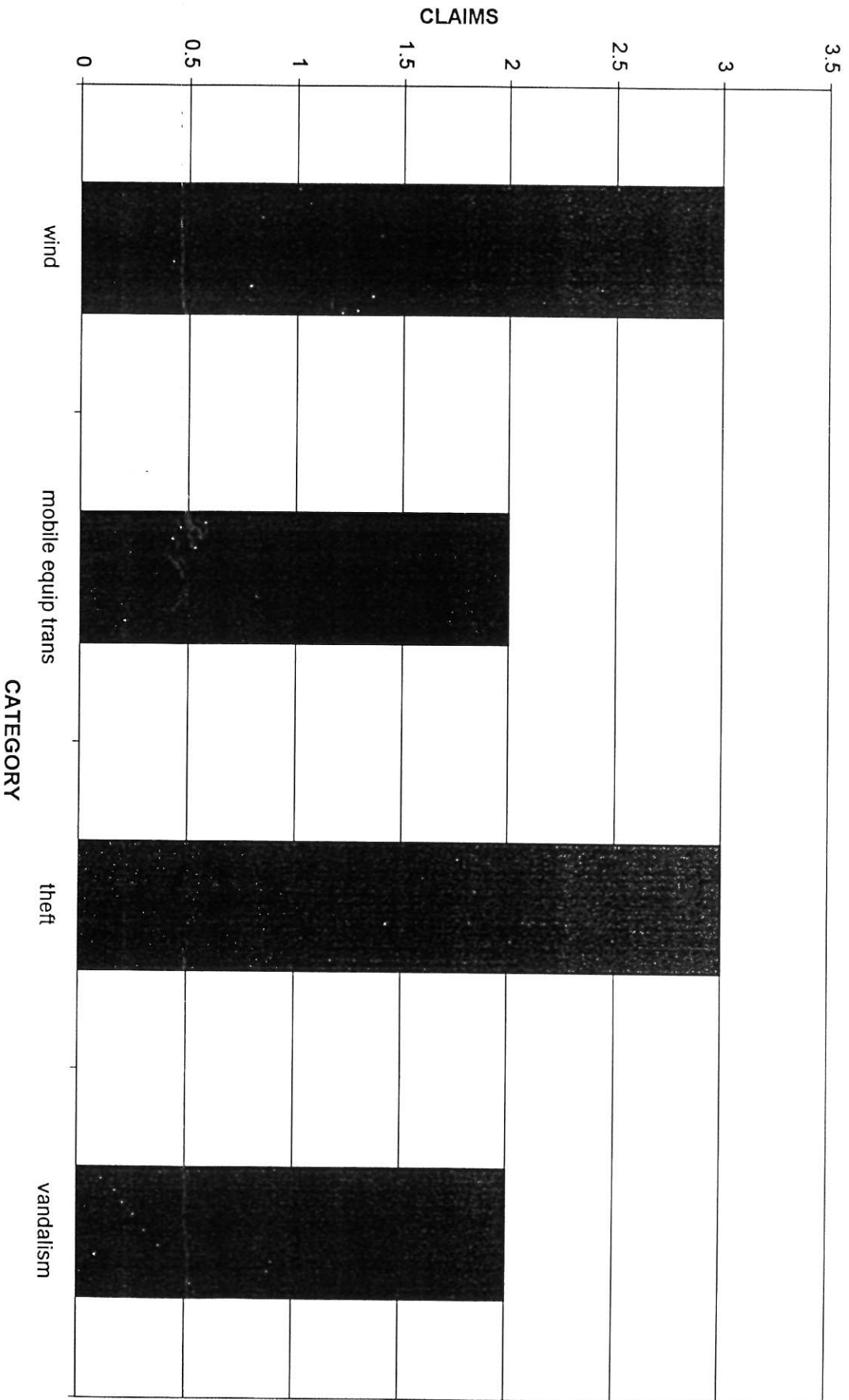
FREQUENCY OF GENERAL LIABILITY CLAIMS BY CATEGORY THROUGH MAY 2002



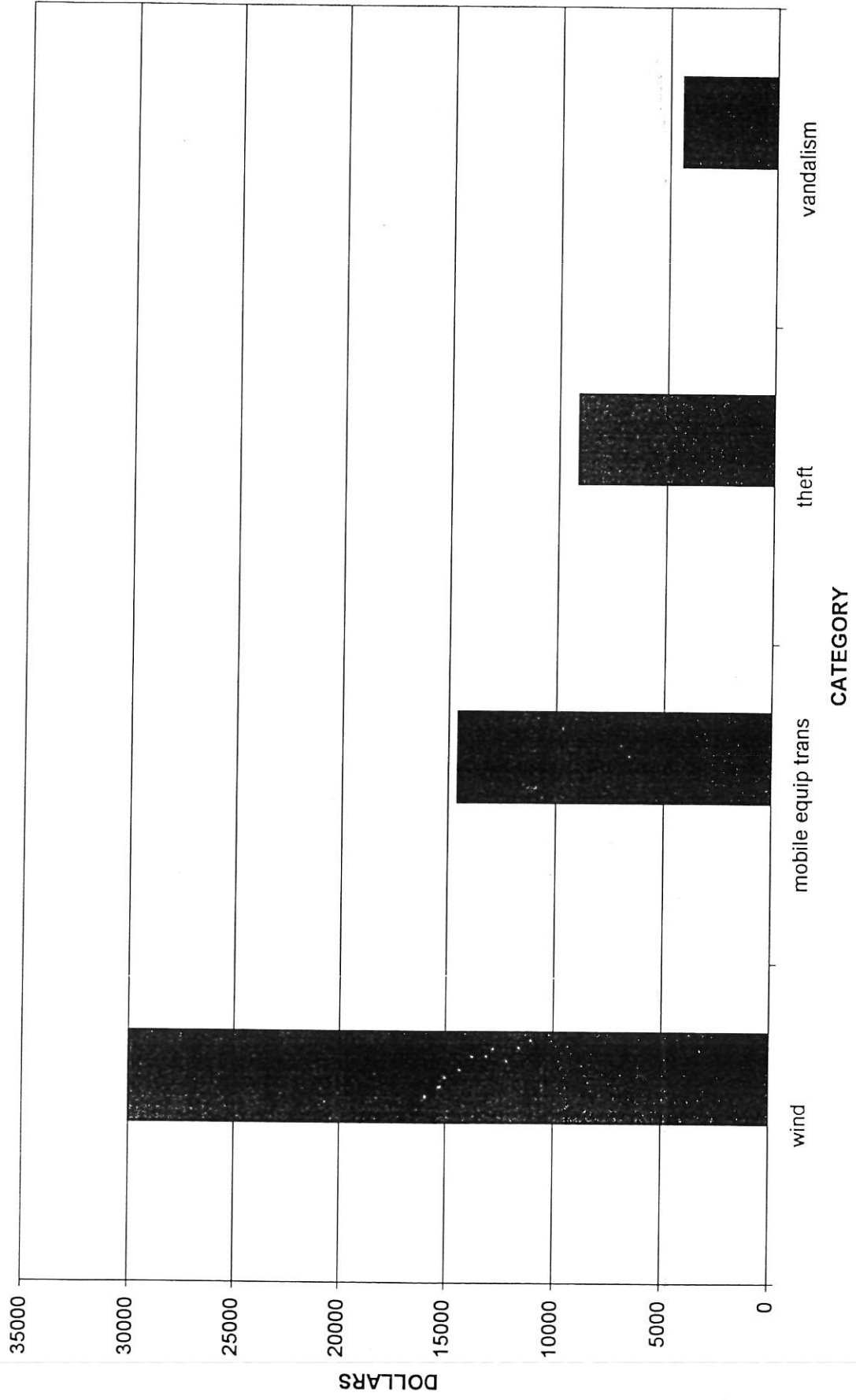
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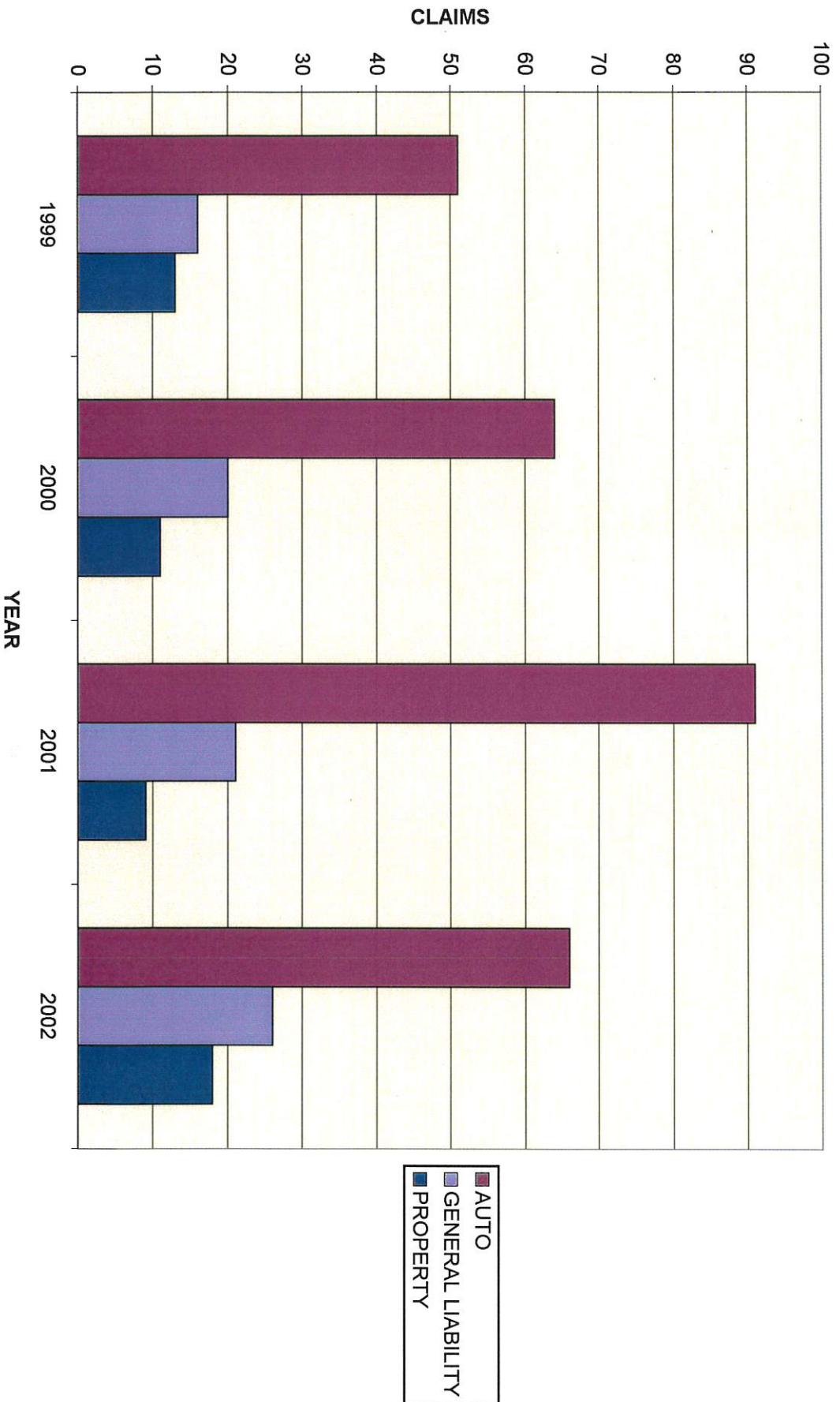
FREQUENCY OF PROPERTY CLAIMS BY CATEGORY THROUGH MAY 2002



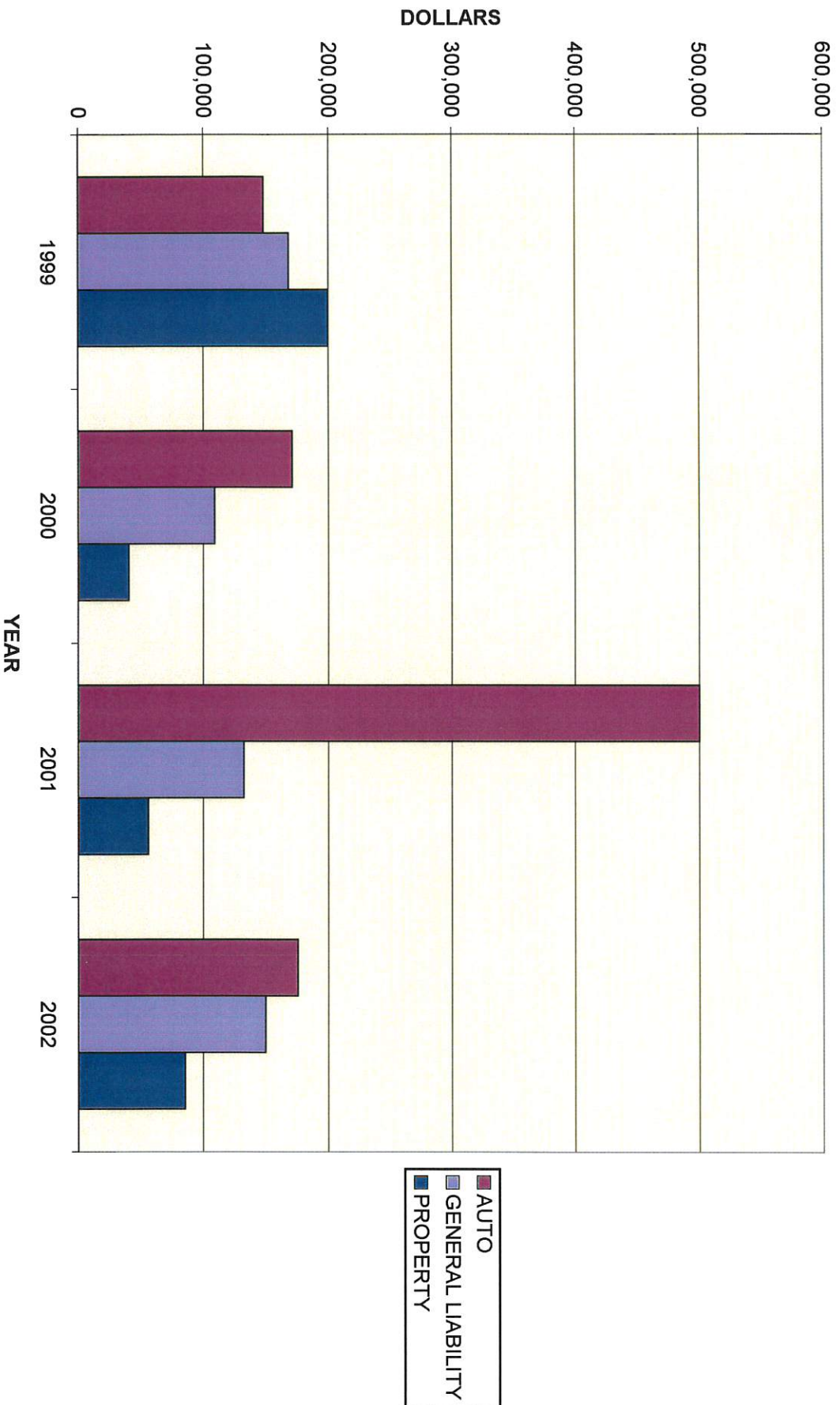
SEVERITY OF PROPERTY LOSS BY CATEGORY THROUGH MAY 2002



MIDYEAR FREQUENCY OF LOSS 1999-2002



MID-YEAR SEVERITY OF LOSS 1999-2002



MAY 2002 PERSONNEL WORKSHOP

Evaluation Results

(54 out of 81 responded)

Overall impression of the workshop.

<u>Excellent</u>	<u>Very Good</u>	<u>Average</u>	<u>Poor</u>
22	29	1	0

Did you like starting the workshop with lunch?

<u>Very Enjoyable</u>	<u>Either Way</u>	<u>Could Do Without</u>
42	13	0

Did you like having an outing (Zion Canyon Adventure)?

<u>Very Enjoyable</u>	<u>Either Way</u>	<u>Could Do Without</u>
33	11	3

Overall, how useful were the workshop topics?

<u>Very Useful</u>	<u>Average Usability</u>	<u>No Use To Me</u>
42	12	0

How useful was the workshop syllabus?

<u>Very Useful</u>	<u>Average Usability</u>	<u>No Use To Me</u>	<u>No Handouts</u>
38	13	0	0

Did you like/dislike the facility where the workshop was held? Explain why you liked/disliked?

Liked (54)

Why?: comfortable, spacious, light, clean, easy to find, close to hotels, lots of restrooms, good food, acoustics, very accommodating.

Disliked (0)

What did you like best about the workshop?

Sterling Petersen (25), speakers (9), topics (8), food (6), everything (5), networking with other county employees (5), Michele Mitchell (4), Zion Adventure (4), diversity/learning & fun (3), Mark Brady game (2), location (2), no down time.

What would you suggest we do differently?

Outing was too much in one night (4).

Start second day at 9 instead of 7 a.m. (4).

Don't schedule workshop before a holiday-Mother's Day (2).

More time for questions (2).

Expand to 1 1/2 days (2).

Save money by not providing breakfast--hotels already provide (2).

One-day workshop.

Meals on your own.

Don't schedule presenters who have something to "sell".

Allow for some free time.

Speakers who can keep your attention.

How would you rank the speakers, topics & handouts?

Mike Swallow, *Desk Audits*

Michele Mitchell, *Personal Liability for County Employees & Elected Officials*

Steve Baker, *Discrimination/Harassment Investigation*

Sterling Petersen, *Gung Ho & Teaming*

<u>Speaker</u>	<u>Topics</u>	<u>Handouts</u>	<u>1=poor</u> <u>2=fair</u> <u>3=average</u> <u>4=good</u> <u>5=excellent</u>
3	3	3	
4	4	4	
4	4	4	
5	5	5	

What topics would you like to see at next year's workshop?

Dealing with difficult employees (3).

More from Sterling Petersen (3).

Employee discipline (2).

Working with elected officials who do not follow personnel policies (2).

Customer service (2).

Civil rights laws (2).

Interviews.

Handling employees who resist change.

Motivation.

Grievance procedures.

Reducing accidents and workers comp claims.

Dealing with performance issues.

Automobile Safety.

Where would you like the next personnel workshop held?

St. George (13), Park City (5), Moab (4), Provo (3), Salt Lake (3), Bryce Canyon (2), Zion (2), Midway, Ogden, Richfield, Bear Lake.

RESTRUCTURING of the UACIM BOARD

SCENARIO 1

CLASS	COUNTY	POPULATION	EXPOSURE	PREMIUM		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536	151,006,236	414,951	1 Vote	Gary (AL)	Kent (LMC)
	Davis	238,994	117,839,381	431,197	1 Vote	Dan (123)	Steve (PC)
	Weber	196,533	228,351,900	392,513	1 Vote		
THIRD 18,000-125,000	Cache	91,391				Lynn (123)	
	Washington	90,354					
	Box Elder	42,745				Royal (AL)	
	Iron	33,779				Gene (123)	
	Uintah	25,224					
FOURTH 10,000-18,000	Carbon	20,422					
	Sanpete	22,763					
	Sevier	18,842				Tex (AL)	Steve (456)
	Wasatch	15,215					
	San Juan	14,413					
FIFTH 3,500-10,000	Duchesne	14,371					
	Millard	12,405				LaVar (456)	Ed (LC)
	Emery	10,860					
	Grand	8,485					
	Juab	8,238					
SIXTH 1-3,500	Morgan	7,129					
	Kane	6,046					
	Garfield	4,735					
	Wayne	2,509					
	Rich	1,961					
	Piute	1,435				Kay (456)	
	Daggett	921					
AT-LARGE					3 Votes		
COMMITTEES	Law Enforcement				1 Vote		
	Litigation Management				1 Vote		
	Personnel				1 Vote		

Create a permanent Board position for either the three largest contributing counties or the three counties with the largest exposure.

SCENARIO 2

CLASS	COUNTY	POPULATION		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536	1 Vote	Gary (AL)	Kent (LMC)
	Davis	238,994	1 Vote	Dan (123)	Steve (PC)
	Weber	196,533	1 Vote		
THIRD 18,000-125,000	Cache	91,391		Lynn (123)	
	Washington	90,354			
	Box Elder	42,745		Royal (AL)	
	Iron	33,779		Gene (123)	
	Tooele	40,735			
FOURTH 10,000-18,000	Uintah	25,224			
	Summit	29,736			
	Carbon	20,422			
	Sanpete	22,763			
	Sevier	18,842		Tex (AL)	Steve (456)
FIFTH 3,500-10,000	Wasatch	15,215			
	San Juan	14,413			
	Duchesne	14,371			
	Millard	12,405		LaVar (456)	Ed (LC)
	Emery	10,860			
SIXTH 1-3,500	Grand	8,485			
	Juab	8,238			
	Morgan	7,129			
	Kane	6,046			
	Beaver	6,005			
	Garfield	4,735			
	Wayne	2,509			
	Rich	1,961			
	Piute	1,435		Kay (456)	
	Daggett	921			
COMMITTEES	Law Enforcement		1 Vote		
	Litigation Management		1 Vote		
	Personnel		1 Vote		

Remove the At-Large positions on the Board and replace them with appointments from Davis, Utah and Weber.

RESTRUCTURING of the UACIM BOARD

SCENARIO 3

CLASS	COUNTY	POPULATION		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536	1 Vote	Gary (AL)	Kent (LMC)
	Davis	238,994	1 Vote	Dan (123)	Steve (PC)
	Weber	196,533	1 Vote		
THIRD 18,000-125,000	Cache	91,391	3 Votes	Lynn (123)	
	Washington	90,354			
	Box Elder	42,745		Royal (AL)	
	Iron	33,779		Gene (123)	
	Tooele	40,735			
	Uintah	25,224			
	Summit	29,736			
	Carbon	20,422			
FOURTH 10,000-18,000	Sanpete	22,763	2 Votes	Tex (AL)	Steve (456)
	Sevier	18,842			
	Wasatch	15,215			
	San Juan	14,413			
	Duchesne	14,371			
	Millard	12,405		LaVar (456)	Ed (LC)
	Emery	10,860			
FIFTH 3,500-10,000	Grand	8,485	1 Vote		
	Juab	8,238			
	Morgan	7,129			
	Kane	6,046			
	Beaver	6,005			
	Garfield	4,735			
SIXTH 1-3,500	Wayne	2,509			
	Rich	1,961			
COMMITTEES	Law Enforcement		1 Vote		
	Litigation Management		1 Vote		
	Personnel		1 Vote		

Voting based on population.

SCENARIO 4

CLASS	COUNTY	POPULATION		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536		Gary (AL)	Kent (LMC)
	Davis	238,994		Dan (123)	Steve (PC)
	Weber	196,533			
THIRD 18,000-125,000	Cache	91,391	4 Votes	Lynn (123)	
	Washington	90,354			
	Box Elder	42,745		Royal (AL)	
	Iron	33,779		Gene (123)	
	Tooele	40,735			
	Uintah	25,224			
	Summit	29,736			
	Carbon	20,422			
FOURTH 10,000-18,000	Sanpete	22,763	2 Votes	Tex (AL)	Steve (456)
	Sevier	18,842			
	Wasatch	15,215			
	San Juan	14,413			
	Duchesne	14,371			
	Millard	12,405		LaVar (456)	Ed (LC)
	Emery	10,860			
FIFTH 3,500-10,000	Grand	8,485			
	Juab	8,238			
	Morgan	7,129			
	Kane	6,046			
	Beaver	6,005			
	Garfield	4,735			
SIXTH 1-3,500	Wayne	2,509			
	Rich	1,961			
	Piute	1,435		Kay (456)	
	Daggett	921			
AT-LARGE			3 Votes		
COMMITTEES	Law Enforcement		1 Vote		
	Litigation Management		1 Vote		
	Personnel		1 Vote		

Change the number of First-Second-Third Class reps to four and the Fourth-Fifth-Sixth Class reps to two.

RESTRUCTURING of the UACIM BOARD

SCENARIO 5 (TEX)

CLASS	COUNTY	POPULATION		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536	} 3 Votes	Gary (AL)	Kent (LMC)
	Davis	238,994		Dan (123)	Steve (PC)
	Weber	196,533			
THIRD 18,000-125,000	Cache	91,391	} 3 Votes	Lynn (123)	
	Washington	90,354			
	Box Elder	42,745		Royal (AL)	
	Iron	33,779		Gene (123)	
	Tooele	40,735			
	Uintah	25,224			
	Summit	29,736			
FOURTH 10,000-18,000	Sanpete	22,763	} 2 Votes	Tex (AL)	Steve (456)
	Sevier	18,842			
	Wasatch	15,215			
	San Juan	14,413			
	Duchesne	14,371			
	Millard	12,405		LaVar (456)	Ed (LC)
FIFTH 3,500-10,000	Emery	10,860			
	Grand	8,485			
	Juab	8,238			
	Morgan	7,129			
	Kane	6,046			
	Beaver	6,005			
SIXTH 1-3,500	Garfield	4,735			
	Wayne	2,509			
	Rich	1,961		Kay (456)	
	Piute	1,435			
	Daggett	921			
AT-LARGE			1 Votes		
COMMITTEES	Law Enforcement		1 Vote		
	Litigation Management		1 Vote		
	Personnel		1 Vote		

SCENARIO 6 (SHAWN)

CLASS	COUNTY	POPULATION		ELECTED	APPOINTED
SECOND 125,000-700,000	Utah	368,536	1 Vote	Gary (AL)	Kent (LMC)
	Davis	238,994	1 Vote	Dan (123)	Steve (PC)
	Weber	196,533	1 Vote		
THIRD 18,000-125,000	Cache	91,391	} 1 Vote	Lynn (123)	
	Washington	90,354			
	Box Elder	42,745		Royal (AL)	
	Iron	33,779		Gene (123)	
	Tooele	40,735			
	Uintah	25,224			
	Summit	29,736			
FOURTH 10,000-18,000	Sanpete	22,763	} 1 Vote	Tex (AL)	Steve (456)
	Sevier	18,842			
	Wasatch	15,215			
	San Juan	14,413			
	Duchesne	14,371			
	Millard	12,405		LaVar (456)	Ed (LC)
FIFTH 3,500-10,000	Emery	10,860			
	Grand	8,485			
	Juab	8,238			
	Morgan	7,129			
	Kane	6,046			
	Beaver	6,005			
SIXTH 1-3,500	Garfield	4,735			
	Wayne	2,509			
	Rich	1,961		Kay (456)	
	Piute	1,435			
	Daggett	921			
AT-LARGE			2 Votes		
COMMITTEES	Law Enforcement		1 Vote		
	Litigation Management		1 Vote		
	Personnel		1 Vote		

RECOMMENDATIONS OF UAC INSURANCE MUTUAL
AUDIT COMMITTEE

The UAC Insurance Mutual Committee met on May 29, 2002 with UACIM's contract actuary and accountant. Discussions were held and recommendations were made, particularly by the contract accountant, concerning internal financial controls and other budgetary matters. Based on those recommendations, the audit committee makes the following recommendations:

1. Internal control changes.
 - a. Shawn Guzman be authorized to sign claims checks along with Korby Siggard (replacing Brent Gardner's signature.)
 - b. Shawn Guzman be one of the four individuals authorized to sign administrative expense checks.
2. That an audit be conducted by Larson & Company of the "Insurance Mutual Transaction Fund" on UAC's books.
3. That UAC provide UACIM monthly reports of the UACIM Administrative Budget.
4. That several line items be eliminated from the UACIM Administrative Budget with the corresponding amounts for those line items being transferred to the UACIM budget. (Leaving primarily only rent and salary related line items in the UACIM Administrative Budget.)
5. That there be a more distinct clarification of the relationship between UAC and UACIM.

UAC INSURANCE MUTUAL General Budget

Approved 10/19/01

Recommendations

2002 Budget

2002 Budget

REVENUE

Premiums Written
Investment Income
Miscellaneous Income
TOTAL REVENUE

3,576,825	3,612,410
300,000	240,000
3,876,825	3,852,410

LOSSES AND LOSS EXPENSES

Losses
Claims Management Expenses
Reinsurance
Loss Adjustments for Previous Years
TOTAL LOSS EXPENSES

1,850,000	1,850,000
232,960	232,960
1,064,659	1,100,244
0	0
3,147,619	3,183,204

ADMINISTRATION EXPENSES

Broker Fees
Administration Fees
Professional Fees
Interest Expense
Other Expenses
TOTAL ADMINISTRATION

80,000	80,000
494,804	494,804
30,255	30,255
0	0
31,300	48,300
636,359	653,359

TOTAL LOSSES AND EXPENSES

3,783,978	3,836,563
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NET INCOME

92,847	15,847
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Subject: Notice of Regular Meeting

Date: Mon, 24 Jun 2002 15:13:08 -0600

From: Sonya White <sonya@uacnet.org>

To: Salt Lake Tribune <editor@sltrib.com>

Notice of a regular meetings of the Board of Trustees of the Utah Association of Counties Insurance Mutual to be held on Thursday, June 27, 2002, 9:30 a.m. at the Utah Association of Counties Training Room. Items to be discussed:

Call to Order

Review of Board Members Absent

Approval of March 21 Minutes

Loss Control Manager's Report

Personnel Committee's Report

Broker's Report

Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation

Action on Litigation Matters

Audit Committee's Report

Restructuring of the UACIM Board

Director's Report

General Budget Amendment

Set Date and Time for Closed Meeting to Discuss Character, Professional Competence, Physical/Mental Health of an Individual

Other Business

Subject: Board of Trustees meeting

Date: Wed, 26 Jun 2002 21:24:15 -0700

From: John_Chino@ajg.com

To: "Shawn Guzman" <sguzman@uacnet.org>, Sonya White <sonya@uacnet.org>

CC: Rich_Stokluska@ajg.com, Lynne_Boyer@ajg.com

John G. Chino, ARM
Area Vice President
2030 Main St., Suite 1100
Irvine, CA 92614
(949) 567-7921
(909) 239-4733 (cell)
(949) 756-8701 (FAX)
john_chino@ajg.com

Shawn-

I should be grateful if you would share the following message with the Board.

First, please accept my regrets regarding the fact that I am unable to attend the meeting. Rich Stokluska and I have numerous pool accounts which renew on the 1st of July. In a normal year these renewals would be secure by now and either of us could attend today's meeting. This is not a normal year. I can't speak for Rich, but I know his situation is similar to mine. Today, I am at renewal meeting to determine options in respect of coverage to be bound on Monday the First of July. I also have another board meeting tomorrow (the Arizona Counties Insurance Pool) with similar difficult circumstances. In fact, we are still awaiting terms/quotes.

Second, I am not suggesting these clients have any priority over UACIM, but I respectfully request your consideration that their renewal issues take precedent over your meeting, (since we have more than 6 months to bind coverage). Having said that, I am very happy to report we have already begun to work on your 2003 renewal and despite dire warnings that carriers and reinsurers could not instigate meaningful negotiations so far in advance - we are having renewal meetings in Chicago from July 22-24. Rich and I have prepared reinsurers to be ready to provide indications as to rates for 2003. Fortunately, they have been open to the idea. I am not promising that there won't be increases, but I am promising that you shall be kept abreast as to the spirit of negotiations. Moreover, we expect to have a good idea as to actual pricing for 2003 in August as has been the requirement of UACIM. Needless to say, we are grateful for Shawn's critical participation with these negotiations.

Third have a safe Fourth of July Holiday and I look forward to seeing you at the July 18th meeting. Again, I respectfully request your patience and understanding regarding the needs of our July 1 renewals.

